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# "Solving Montana's Health Care Crisis"

Max S. Baucus

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Senator \* or Department\*: **BAUCUS**

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MONTH/YEAR of Records\*: February-1992

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(1) Subject\*: Health

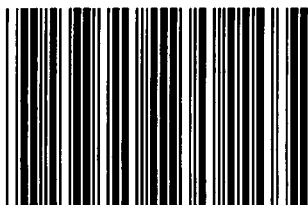
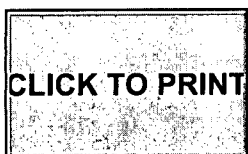
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(2) Subject\* Solving Montana's Health Care Crisis

DOCUMENT DATE\*: 02/10/1992

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BAUCUS

FOR IMMEDIATE RELEASE

Monday, February 10, 1992

SOLVING MONTANA'S HEALTH CARE CRISIS

Senator Max Baucus  
University of Montana  
Missoula, Montana

I'm going to start by telling you something you already know. And I won't belabor the point, but it needs to be said. We have a crisis in health care in this state and in this country. There is no question that for those who can afford it, our nation offers the best health care in the world.

We have the best trained doctors, nurses, technicians, and administrators. The most up-to-date equipment. The most modern and comfortable hospitals. We need to protect that high-quality care we are so blessed to have. But we also need to make sure people can get that quality care when they need it.

For too many people, it's out of reach today because they can't afford it. In 1980 Americans spent \$2600 per family on health care. Last year it was up to \$6500 per family. That cost is too high for an increasing number of people.

That's not just the 142,000 Montanans who don't have any health insurance at all. Although that figure, almost 20 percent of our state's population, is the most urgent part of the problem. It is much more far-reaching than that. People of all income levels, employed and unemployed, insured or not, worry about insurance.

That's partly because so many people are UNDERinsured. And because they're so uncertain about the insurance they do have. It is estimated that there are at least 60 million people across the country who are UNDERinsured. And another 1 million people a year lose their insurance completely.

Seniors are often underinsured, because Medicare doesn't come near covering everything. Medicare has deductibles, copayments, monthly premiums, and it doesn't guarantee paying the full price.

That is what led us to passing the famous Catastrophic bill in 1988. Because people wanted to fill in some of the gaps in Medicare. But the cost was so high, given the current structure of Medicare and the rest of our health care system, that people didn't want to pay it. So we repealed it.

Then there's Medicaid, our health care plan for the poor. But it only covers a family of four with income up to a little over \$12,000 a year. If a family makes more than that, they're out of luck.

And generally speaking, many people worry that if they get sick, their insurance won't cover enough of the cost. Their deductibles and copayments are too high, or they aren't covered for some things.

Many people are at grave risk. If they become very sick, they will likely face a financial catastrophe or worse, no care available to them. These fears are simply unacceptable in a nation as prosperous as ours. We can't justify the countless people who are afraid they are only one paycheck away from losing their insurance for one reason or another.

Fortunately for all of these people there are safety nets. Missoula's Partnership for Access is a great example. You should be very proud to have a community-wide program that takes care of the health needs of people who otherwise wouldn't be able to get it.

But you can't do everything. There are plenty of places that don't have a Partnership for Access. I got a letter a few weeks ago from a woman in a ranching family near Helena. She wrote me that she and her husband and young son are scared to death that soon they won't be able to buy insurance anymore.

They make a decent income. But right now they're paying more than 20 percent of their monthly income on insurance premiums. And it still doesn't cover checkups, routine office visits and a few other things. And it has an \$800 deductible!

In her letter she told me she can't sleep at night sometimes, she's so afraid their son might get sick and then they won't know what to do. And let me tell you, I wish I could tell you hers was the only letter I've gotten like that. No. I have gotten dozens, maybe hundreds, just from Montanans, over the last few months.

Why do we have this problem? There are a host of reasons, but it basically boils down to one issue: the cost of health care in this country is staggering.

Last year we spent over \$2 Billion on health care in

Montana. This year nationally we'll spend over \$800 billion on health care, almost double what we spent just five years ago. That's 14 percent of our entire economy. And that percentage is expected to grow at a fast clip, as it has for many years.

By the year 2000, nearly \$1 out of every \$5 in our economy will go toward health care. That's real money we're talking about. And we're beginning to see very clearly the social and economic costs of paying that price for health care:

- State budgets are getting crunched because of rising Medicaid expenditures.
- Other valued services like education and law enforcement suffer as a result.
- And as costs rise, health insurance gets priced out of the market for more and more people.

Furthermore, the way our health care system operates, there is no incentive NOT to spend. There are just no limits on how much we will pay for health care.

All the incentives in the system point to spending more and more. Even when it doesn't do any good. If we continue on this course, we will spend a TRILLION dollars in just a few more years, well before the end of this century. That's more money than we've spent on the Defense Department in the last three years combined.

Where does this money go? Well, too much of it goes into paperwork. We spend a whopping 20 percent on administration.

They say, "You get what you pay for."

But in our case we get much LESS than what we pay for. For each dollar we pay, we only get 80 cents worth of health care.

In addition, there are 1500 insurance companies and who knows how many different policies. Each one has a different form to fill out, covers different services and procedures, has different rules.

All that takes time and effort to manage. And that means that doctors are spending more and more time managing paperwork and less time practicing medicine.

We are also seeing the devastating impact that rising health care costs have on our economy -- more specifically, the ability

of businesses and industry in this country to compete in the world marketplace. In 1990 American businesses spend an average of \$3,000 per employee on health insurance. Think about those costs for a minute -- because each of those dollars gets passed on to consumers in the form of higher prices for products and services.

General Motors paid out \$3.2 million in 1990 for medical coverage for its employees. That was more than GM spent on steel! For example, \$700 of each car made by Chrysler is just the cost of providing health insurance to Chrysler workers. \$700. That compares to about \$250 for a car that's made in Canada or Japan.

That puts us at a real disadvantage. An auto industry analyst told me the other day that even if GM made a car of the same quality and dependability as Toyota, it would have to cost substantially more just because of the high cost of health benefits in this country. These excess health care costs have become so burdensome on business that they are a huge barrier to America's ability to compete in the international marketplace.

We must find a solution to this problem. We owe it to ourselves, but more important than that, we owe it to our kids.

So what can we do? Last fall, I went to Canada to see how their health care system operates. People talk about it a lot, and I had read quite a bit about it. So I wanted to get a first-hand look. What I saw impressed me. They don't have all the answers. Not by any means. But they do some things better than we do.

For one thing, they have universal coverage. Every person - black or white, male or female, rich or poor, employed or out of work -- they all know that if they have to go to a hospital or doctor, they will get the care they need, no questions asked. And contrary to popular belief, they can choose their own doctors and hospitals. That's true. No wonder they have a feeling of peace of mind about health care. And peace of mind about health care is one thing we don't have today.

The people I talked to in Canada could hardly believe that there are people in the United States who aren't covered by a health care plan. They also control costs better. Not that their system is cheap -- it's the second most expensive health care system in the world.

Last year Canada spent about \$2,000 per capita in U.S. dollars, compared to our \$2,500. We spend about 25 percent more than they spend. But they do set limits. They negotiate budgets. As a result, health care is about 9 percent of Canada's Gross National Product, compared to 14 percent of ours. Canada's

administrative costs are much lower than ours: 11 percent, compared to our 20 percent. And they are at least as healthy as Americans -- by some measures, healthier.

What I also observed is that Canadians like their health care system. They like it a lot more than Americans like ours. A recent Harris poll showed that more than half of Canadians find their system satisfactory, while only 10 percent of Americans are satisfied with health care in this country. In fact, in a 1990 survey measuring how people in ten industrialized countries like their health care system, the U.S was at the bottom. Canada was at the top.

Does Canada's health system have problems? Clearly it does. There are often long waiting lists for non-emergency surgery. They experience the same inflation problems we do. Their access to technology is much more restricted than ours. For example, the province of Alberta has 3 MRIs. They have 2-1/2 million people. In Montana we have about 10, for a population that's 1/3 of theirs. That's a big difference! They could probably use more. But we don't need 10.

In Canada people have a lot of faith in the medical community. They trust that if they need care urgently, they will get it right away. And that seems to be the case.

I do not for a minute believe that we can duplicate Canada's system here -- nor do I believe we should. But I do believe, very strongly, that we can learn some things from what Canada has accomplished in ensuring a better standard of care for ALL of its citizens.

I have also been studying some of the other proposals which have been made in Washington and around the country. The President just released his proposal. He wants to build on our current system to try to make sure insurance is more affordable and available. He proposes tax credits, insurance reform, and other incremental changes. His ideas are definitely worth considering, and they have promise for improving access to basic health care. But it's only a partial solution. It's a band-aid. We need more than that.

"Pay or play" is another idea that has been floating around recently. This plan would require businesses to provide health insurance for their employees or pay a tax so the government can establish insurance pools to cover the uninsured. I'm not wild about that idea. In fact, as Vice Chairman of the Congressional Pepper Commission on health care, I voted against a plan like that. I firmly believe the burden of health insurance should not fall solely on employers. It's just bad for business.

There has also been some interest expressed in moving toward

a single payer system. That would funnel all health care dollars to one agency or institution -- it could be public or private -- for billing purposes. Under a single payer system, hospitals, doctors, and other health providers would simply bill that single payer. Most likely it would be at the state level.

Such a system would eliminate a lot of overhead, confusion, and wasted time. It would also free up misallocated resources to be used in productive ways -- such as providing affordable, quality health care. And it would make universal coverage a reality.

The debate in Washington is raging. The noise level has become deafening. But there is no certainty that Congress will reach consensus on any of these proposals this year.

I'm impatient. We can't sit on our hands anymore. We have to tackle these problems. It is time for us to guarantee affordable, quality health care for everyone. Our question is, how do we do it?

It is time we had a health care system which frees our physicians to do what they were trained to do: practice medicine. Not to spend countless hours filling out forms, justifying every service they provide, and submitting claims in triplicate.

It is time we had a health care system that doesn't leave our citizens living in fear that one day they will no longer be able to afford insurance.

It is time we had a health care system that sets priorities, with cost containment mechanisms that will restrain unnecessary care but maintain our high quality care.

In order to accomplish these goals, we will need to draw on the best of our resources. We will have to ask people to make sacrifices for the greater good.

Governor Dick Lamm of Colorado spoke here last month. He has some controversial opinions but I admire what he's doing. He's tackling the issue head-on. That is what has to be done. And to do it, we will need leadership, consensus and cooperation.

There is no time left for timid proposals or half measures. Our health care system is too broken for that. We need major, fundamental restructuring. I believe the best solution lies in some form of single payer system. Of course, such a dramatic change in our health care system will not happen overnight. In fact, it shouldn't happen overnight.



And it shouldn't happen from Washington. That is why I am proposing that Montana be a national demonstration site for a single payer system. A plan that we Montanans here in our own state are putting together ourselves with no interference from the outside. Put together by Montana nurses, Montana doctors, Montana hospitals, Montana seniors.

We are well-suited to the task of working out the details of such a system. After all, we have an excellent, committed medical community. Our population is small and a demonstration project would be more manageable here. Montana's health care costs are lower than most other states. In terms of the average cost of a stay in the hospital, Montana ranked 45th -- only four states have a lower cost.

Last year our State Legislature overwhelmingly called on Congress to adopt a national health care plan. And I have sensed a real enthusiasm among the people I've talked to about it. A demonstration will take a lot of work, and a lot of thought and a lot of cooperation. It will require some changes in federal laws, which I am ready to sponsor.

We have a window of opportunity here. It's a short time frame to make something happen. And we can't let it get away. There have been dramatic health care reform proposals for decades in Congress, and none of them have ever been enacted. The very first one was introduced in 1943 by Montana Senator Murray among others.

We can't afford to let this window of opportunity shut without doing something to resolve the health care crisis we are in.

There's a lot to be said for putting aside partisan differences and cooperate. Conrad Burns and I worked together and came up with a wilderness bill for Montana. Health care, like wilderness, is a Montana issue. Not a Democrat or Republican issue. With your help, and expertise, if we put health care delivery first, and work together, we can do what it takes to solve our health care crisis and bring quality care to all Montanans. And in the process we can be a showcase for the nation. I will be working toward that goal. I hope you will join with me.

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